Policy Proposals

Towards Fairer Funding for Municipal Authorities

Funding is unbalanced and needs to change

- Funding is increasingly based on income streams reliant on authorities' council tax base and incentives based on changeable central priorities.
- It benefits prosperous councils at the expense of the poorer ones, who often receive lower levels of funding despite higher local needs.
- The system lacks transparency, accountability, impartial oversight and robust scrutiny, offering little forewarning of policy changes.
- This will continue to result in unbalanced regional growth, which will become still more pronounced as authorities transition to greater reliance on locally raised resources.

That's why SIGOMA are calling on Government to

Prioritise the protection of vital services

Establishing the true cost of delivering statutory services for each authority, taking account of local circumstances to create a 'sustainability model' that ensures they remain protected.

End the top-slicing of general funding

Funding incentives through separate streams to ensure those local authorities less able to benefit do not lose the funding necessary to deliver vital services.

Give better notice of funding changes

Informing authorities well in advance of their implementation, taking full account of local budget cycles to ensure they receive the information they need for efficient forward planning.

Make the finance system more transparent

Enabling councils and other interested stakeholders to better understand the relationship between service provision requirements and funding allocations.

Localise funding decisions

Allowing authorities to make their own decisions about the taxation levels necessary to meet local needs in order to increase self-sufficiency while enhancing democratic accountability.

Introduce an independent oversight body

Overseeing and setting equitable and sustainable funding to ensure political decisions do not have a detrimental impact on local government's ability to provide essential local services.

Maintain effective efficiency incentives

Encouraging local government to remain mindful of central priorities for greater efficiency but also recognising factors that lie outside of council's control.

To find out more about SIGOMA and the work we do, visit: www.sigoma.gov.uk
Find us on social media at: twitter.com/SIGOMA_LG and follow @SIGOMA_LG
Or get in touch via: sigomaenquiries@barnsley.gov.uk or on 01266 773 101

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SIGOMA

LOCAL FINANCE BRIEFING

FOR NEW AND RETURNING MPs 2017

A concise source of council finance information, containing key indicators for England, SIGOMA and Warrington, and setting out our proposals for a fairer financial future.

We Are SIGOMA

The Special Interest Group of Municipal Authorities

Chair of MPs Group:
Marie Rimmer MP

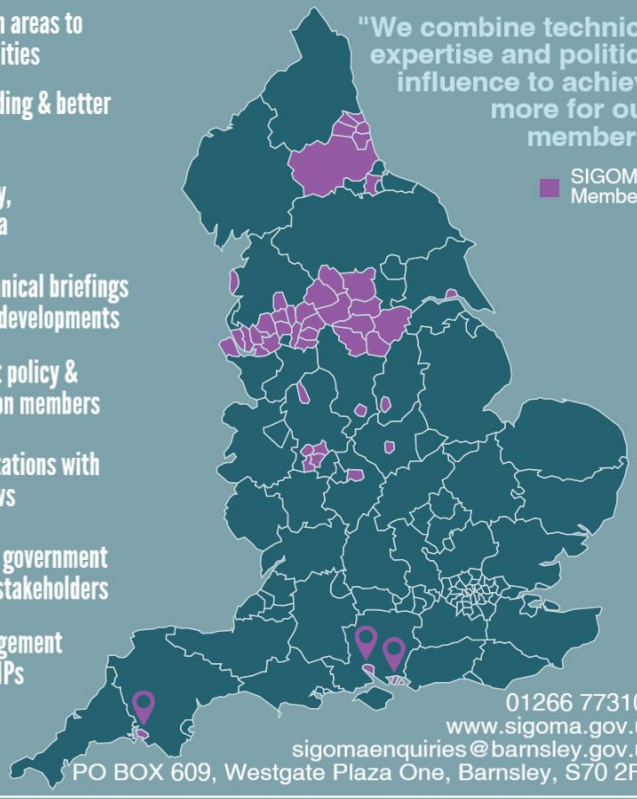
Chair: Cllr Sir Stephen Houghton CBE

Vice Chair: Cllr Lord Peter Smith

SIGOMA is a campaigning network of urban local authorities, representing 46 councils across the northern, midland and south coastal regions of England, including Warrington

- Giving a voice to urban areas to support local communities
- Influencing fairer funding & better growth opportunities
- Pursuing a cross-party, member-driven agenda
- Delivering robust technical briefings on new and emerging developments
- Analysing government policy & assessing its impact on members
- Responding to consultations with strong consensus views
- Working with the LGA, government departments & other stakeholders
- Encouraging the engagement and collaboration of MPs

"We combine technical expertise and political influence to achieve more for our members"



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For more information, please consult 'Local Authority Financing: A Briefing for Members of Parliament' or email us on sigomaenquiries@barnsley.gov.uk

Four Principles

For Fairer Funding Under 100% Retention of Business Rates

Promotes Fairness

Ensuring people in similar circumstances experience equivalent service outcomes no matter where they live.

Protects Services

Prioritising the adequate and equivalent provision of vital council services to residents across the country.

Provides Incentives

Rewarding growth but also accounting for the impact local conditions have on councils' ability to influence it.

Prevents Interference

Building in local democratic accountability with checks and balances to resist undue party-political influence.

Other Key Issues

Adult Social Care Close the funding gap	A fair and sustainable long term funding solution to the care crisis is needed. This must place equal value on the lives of the most vulnerable, no matter where they live, taking full account of local demand and the size of self-funding population groups.
Education Invest in education for all	A real-terms increase in funding must be made that takes full account of the additional pressures schools now face, and local authority maintained schools must not take second place to new free schools, academies or grammars.
Housing Help councils build more	Building in urban areas is vital for meeting demand and protecting the greenbelt. Investment must reflect the significantly higher costs of building on brownfield, particularly in lower value areas where developers are less likely to see a natural return on their investment.
Devolution Drive forward new deals	The next wave of devolution deals and metro mayors cannot be side-lined by Brexit and other policy priorities. Negotiations must also be made more transparent so that all prospective regions have a clear understanding of exactly what is on the table.
Brexit Invest in underfunded regions	Vital investment, previously provided via the ERDF, must continue to ensure the regeneration of deprived areas and to capitalise on the full potential of our national economy. Negotiations must also consider the powers that could be best transferred directly to local government.

For more information, please consult 'Local Authority Financing: A Briefing for Members of Parliament' or email us on sigomaenquiries@barnsley.gov.uk

The Future

Of Local Government Finance

Greater Exposure to Risk

It will be a transformational decade for local government finance. Business Rates are likely to account for over a quarter of council resources by 2020, fundamentally altering the landscape of risk and reward to which they are exposed during a period of great financial uncertainty.

New Responsibilities

In order to ensure these reforms remain fiscally neutral, key local government grants will be phased out and additional responsibilities devolved to local authorities. This will involve a radical overhaul of the local government finance system.

Steering the New System

To implement this new model, Government has proposed to work closely with local stakeholders. This collaboration is facilitated by the Business Rates Retention Steering Group which, in turn, oversees three technical working groups:

Needs | **R**esponsibilities | **S**ystem Design

SIGOMA plays a prominent role in each of these groups, alongside representatives from other high profile members of the LGA.

SIGOMA's Stance

Our membership has much in common, often struggling with the dual challenge of high needs and low rates bases.

We use our influence to draw attention to these challenges in the current context of limited and uncertain resources.

Fundamentally, we argue that Government must create a system that first prioritises the adequate and equivalent provision of vital services across the country.

Source: Based on LGA., (June 2015) Future funding outlook for councils 2019/20: Interim 2015 update, p12

Council Finances

From 2010 to 2017

	Warrington	SIGOMA average	England average
Core spending power 2010-17	▼ 18%	▼ 27%	▼ 21%
Council tax per resident 2016-17	£423	£350	£432
Business rates per resident 2016-17	£276	£176	£218
Deprivation ranking 2010 & 2015	153rd in 2010 ▼ 147th in 2015	52nd in 2010 ▼ 52nd in 2015	Most deprived 1 — Least deprived 326

Service Spending in England

	Adult Social Care	Children's Social Care	Highways	Other Services	
Warrington	▲ 3%	▲ 101%	▼ 39%	▼ 21%	
	▼ 6%	▲ 18%	▼ 27%	▼ 31%	SIGOMA
Non-SIGOMA	▲ 2%	▲ 27%	▼ 24%	▼ 17%	

Source: DCLG core spending 2010-2016, Index of Multiple Deprivation 2010 and 2015, and Revenue Outturn Data.

Analysing Austerity

The Unbalanced Impact of Cuts Since 2010

Local authority funding has been transformed both in terms of the amount of funding available to deliver services and the way in which it has been allocated.

Councils have faced a sustained, significant decline in total funding. This is reflected in their expenditure and compounded by increasing cost pressures and spiralling demand.

Rising Demand

An ageing population, subjected to rising living costs, stagnating real wages and a precarious employment market will increasingly turn to their local authorities for support.

26/46
SIGOMA members declined by 8 IMD* places on average

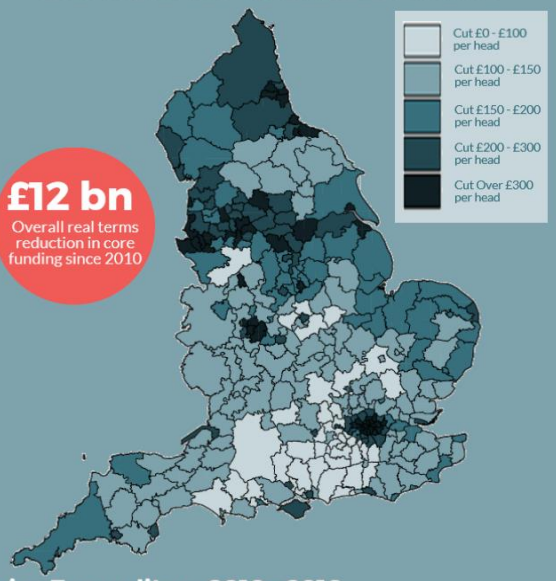
10.8%
Increase in looked after children

Increasing Costs

There is also an upward pressure on authority costs, above normal inflationary pressures, due to central fiscal initiatives such as the NLW.

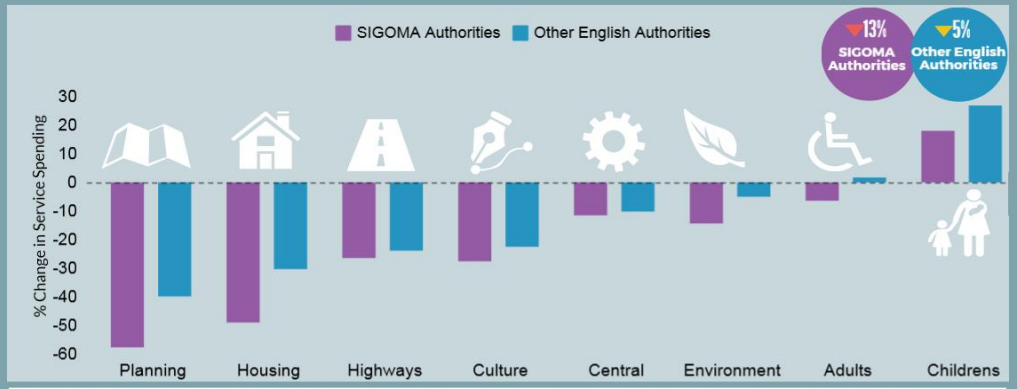
National Living Wage ▲7.5% → Estimated SIGOMA costs ▲£4m Per Council

Real Terms Cuts £/head at 2016 Prices



£12 bn
Overall real terms reduction in core funding since 2010

Change in Core Service Expenditure 2010 - 2016



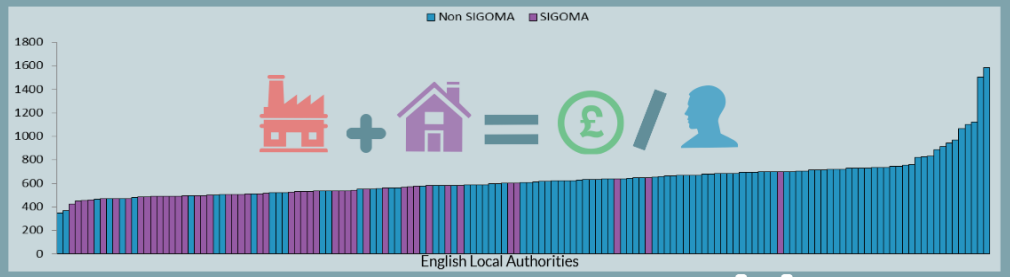
*The Index of Multiple Deprivation (IMD) is an official measure used to rank local authorities' deprivation levels.

Greater Self-sufficiency?

An overview of Council Tax, Business Rates and Recent Funding

Capacity to raise business rates and council tax varies dramatically from one council to the next. SIGOMA members face among the greatest challenges as a result of policies like 100% retention of business rates as most have lower than average rates bases.

Council Tax and Retained Business Rates Raised in 2016 - £/head



Recent Funding

Since the publication of our last policy paper there has been a move towards greater moderation by Government on council funding, in line with our proposals.

2015

Four Year Settlements

Introduced for the first time, covering the four years 2016-2020, instead of the usual two.

Improved Better Care Fund

Brought in for social care, rising from £105m total in 2017 to £1,500m in 2019.

Social Care Precept

Social care authorities able to raise Council Tax 2% above the usual 2% referendum cap.

Revenue Support Grant Cut Apportionment

Changed to take some account of Council Tax base size as SIGOMA frequently suggested.

Consultation on 100% Business Rates Retention

Along with the needs formula underpining it and piloting arrangements for authorities.

2016

Adult Social Care Support Grant

One-off £241m allocation introduced for the final local finance settlement of 2017-18.

2017

Additional Improved Better Care Fund

£2,021m for social care councils (£1,010m in 2017, £674m in 2018, £337m in 2019).

Projected Impact

▲1.2% Cash terms core spending increase 2015-20, England

▲0.2% Cash terms core spending increase 2015-20, SIGOMA

Cash Terms

But, funding must rise by 13.4% over this period to maintain services at 2016 levels.*

▼12.2% Real terms core spending cut 2015-20, England

▼13.2% Real terms core spending cut 2015-20, SIGOMA

Real Terms

This current squeeze on council spending is therefore likely to continue until the end of the decade.

*According to government RPI estimates. It should also be noted that council costs are rising above RPI.